

AUDITOR'S CORNER



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(This is the first in a series of three articles about the process of maintaining rental trust account records. The subjects are "Deposit Cycle", "Disbursement Cycle" and "Monthly Reconciliation".)

To the right is a flow chart detailing the six steps in recording the receipt of trust money. The numbers by the chart correspond to those by the examples of forms on the facing page. Following is an explanation of each step:

1. The first step is the receipt by your brokerage firm of a check, money order, cash or other negotiable instrument.
2. Prepare a cash receipt for all cash received. Photocopy all checks received and maintain these copies with deposit tickets.
3. Prepare a Deposit Ticket for your bank (and keep a copy of a bank-validated deposit ticket in your trust account files).
4. Prepare a Supplemental Deposit Ticket detailing the remitter/tenant, property, purpose and amount. Balance cash receipts and check copies with the Deposit Ticket and Supplemental Deposit Ticket.
5. Post the date, amount of funds deposited and reference the Deposit Ticket on the Journal.
6. Record the details of the transaction on the appropriate ledger.
7. Deposit within three banking days following receipt (earnest money and tenant security deposits three banking days following acceptance of the Offer to Purchase or Lease).

Rental Trust Account Deposit Cycle

First of a three-part series

1.

Receive Cash , Check,
Money Order, etc.

2.

Prepare Cash Receipts
or Photo Checks

3.

Prepare Deposit Ticket

4.

Prepare Supplemental
Deposit Worksheet

5.

Post from Deposit
Ticket to Journal

6.

Post from Supplemental
Deposit Worksheet
to Ledgers

7.

Deposit

1. Receive Trust Funds

<div style="border: 2px solid orange; border-radius: 50%; width: 100px; height: 100px; margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <div style="text-align: center;"> <p>Cash, Check, Money Order, etc.</p> </div> </div>	
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2. Cash Receipt (or photocopy checks)

Your Realty Company
 Your address
 Anytown, NC 12345

Date 1/04/0X

Received of Blake Stephens \$ 1,100⁰⁰

The Sum of Eleven hundred & 00/100 DOLLARS

Memo 2500 Johnson St John Broker

3. Deposit Ticket

DEPOSIT TICKET			
YOUR REALTY COMPANY, INC. TRUST ACCOUNT			
DATE <u>1/4/0X</u>		# <u>0X-2</u>	
	DOLLARS	CENTS	
CURRENCY	SDW	\$2,300	00
COINS			
CHECKS			
1.			
2.			
3.			
4.			
TOTAL		\$2,300	00

4. Supplemental Deposit Worksheet

SUPPLEMENTAL DEPOSIT WORKSHEET Deposit Ticket #2 1/4/0X			
REMITTER/BUYER/TENANT	PROPERTY	PURPOSE	AMOUNT
Clark	143 North Boulevard	Security Deposit	\$600.00
Clark	143 North Boulevard	Jan Rent	\$600.00
Stephens	2500 Johnson Street	Security Deposit	\$550.00
Stephens	2500 Johnson Street	Jan Rent	\$550.00
TOTAL			\$2,300.00

5. Trust Account Journal

YOUR REALTY COMPANY, INC.					
TRUST ACCOUNT JOURNAL					
NC Insured Bank A/C# 123-456-7890					
DATE	DESCRIPTION	NUM	DEPOSITS	CHECKS	BALANCE
1/03/0X	DEPOSIT	0X-1 (A)	\$3,600.00		\$3,600.00
1/04/0X	DEPOSIT	0X-2	\$2,300.00		\$5,900.00
1/11/0X	Ajax Plumbing - 143 N. Blvd Repairs	101		\$75.00	\$5,825.00
1/20/0X	Gerald Howard - 143 N. Blvd Net Jan Rent to Owner	102		\$465.00	\$5,360.00
1/21/0X	Your Realty Company, Inc. 1/0X Mgt Fees	103		\$115.00	\$5,245.00
1/22/0X	Jack Thomas - NSF - 1362 Main St	DM (B)		\$2,500.00	\$2,745.00
1/30/0X	F. Lee Bailey, Attorney 119 Maple Closing	104		\$1,000.00	\$1,745.00
1/31/0X	DEPOSIT	0X-3	\$2,500.00		\$4,245.00
1/31/0X	NC Insured Bank Check Printing Charges	DM		\$25.00	\$4,220.00

(A) - Referenced to sequentially numbered deposit tickets
 (B) - Debit Memo

6. Trust Account Ledger

NAME: <u>Allan Ward, Owner - Stephens, Tenant</u>			ACCOUNT NO.		
ADDRESS: <u>2500 Johnson Street</u>			SHEET NO.		
DATE	ITEMS		DEPOSITS	CHECKS	BALANCE
1/04	OX Blake Stephens Security Deposit	OX-2	\$550.00		\$550.00
1/04	OX Blake Stephens Jan Rent	OX-2	\$550.00		\$1100.00
1/21	OX Your Realty Co., Inc. Jan Management Fee	103		\$55.00	\$1,045.00